



CABLE & WIRELESS, INC. **EX PARTE OR LATE FILED**

Cable & Wireless, Inc.
1919 Gallows Road
Vienna
Virginia 22182

Telephone: (703) 790-5300

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May 31, 1994

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MAY 31 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: Ex Parte File Nos. I-T-C 92-065, I-T-C 92-066, I-T-C 93-328,
I-T-C 94-026, ISP-93-006-ND, ISP-93-007-ND, ISP-94-002;
CC Docket No. 93-007

Dear Mr. Caton:

This letter is to advise that I met with Federal Communications Commission personnel regarding issues pertaining to the above-listed proceedings. Below is a listing of the dates the meetings were held and the FCC personnel in attendance.

4/27/94	● Chairman Hundt, William Kirsch, Kate Collins, Diane Cornell
	● Kathy Dole, Troy Tanner
	● Commissioner Quello, Rudy Baca
5/11/94	● James Coltharp
5/12/94	● Susan O'Connell, Ken Stanley, Jennifer Warren
5/19/94	● Wendell Harris, George Li

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Two copies of this notice are enclosed in each docket and file listed, in accordance with Section 1.1206(a)(1) of the Commission's rules.

Sincerely,

A handwritten signature in black ink, appearing to read "Keith E. Bernard".

Keith E. Bernard
Vice President,
International and Regulatory Affairs

Enclosure

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International Simple Resale Between the U.S. and Canada, The U.K., Australia, and Sweden	ITC-93-328
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PRESENTATION



CABLE & WIRELESS INC

Objectives

- **Provide CWI perspective on international policy issues**
- **Refute AT&T position that all decisions need to be frozen until outcome of AT&T petition**



Cable & Wireless, Inc.

- **Established in 1975 as TDX Systems**
- **Employs approximately 2,300 persons in the U.S.**
- **Serves 90,000 business customer accounts**
- **Average monthly customer expenditure = \$556**
- **Calendar year 1993 revenues were \$557 million or less than 1% of the U.S. long distance market**



Overview of Pending Applications

- **CWI has seven applications pending at the FCC**
 - **Four Section 214 applications for international authority**
 - **Three facilities-based (U.K., Hong Kong, global)**
 - **One international simple resale**
 - **Two Nondominance Petitions**
 - **Section 310(b) Petition**
- **Two of CWI's Section 214 applications have been pending for 2 1/2 years**
- **AT&T has delayed applications by injecting a "Mirror" (recently "comparable") reciprocity test**
- **CWI has agreed to accept certain conditions on some applications to expedite grant**
 - **ATN/Guyana Ruling**
- **Grant of CWI's applications will promote competition and benefit consumers**



CWI's Pending Section 214 Applications

<u>Authority Sought</u>	<u>File Number</u>	<u>Date Filed</u>
Facilities-based switched and private line service to the U.K.	ITC-92-065	12-17-91
Facilities-based switched and private line service to Hong Kong	ITC-92-066	12-17-91
Private line resale interconnected to the public switched network between the U.S. and Canada, the U.K., Australia and Sweden	ITC-93-328	9-9-93
Facilities-based switched and private line service to various international points	ITC-94-026	10-29-93



CWI's Pending Nondominance Applications

<u>Authority Sought</u>	<u>File Number</u>	<u>Date Filed</u>
Streamlined modification of dominant status on all routes on which CWI resells the IMTS of unaffiliated U.S. carriers	ISP-93-006-ND	4-15-93
Nondominant status on international private line routes without CWI affiliate and between the U.S. and the U.K., Australia, Sweden, and Japan	ISP-93-007-ND	4-15-93



CWI's Section 310(b)(4) Application

Authority Sought

**Declaratory ruling concerning the application
of Sec. 310(b)(4) to U.K. corporations**

File Number

ISP-94-002

Date Filed

1-5-94



CABLE & WIRELESS INC

AT&T's General Position

- **Wants CWI's applications considered in rulemaking proceeding**
- **Wants action on applications deferred until comparable market access is available in home markets of CWI affiliates**
- **Wants action on applications deferred until a comprehensive policy on asymmetrical market access is established**
- **Wants grants conditioned on setting cost-based accounting rates**
- **Wants trade issues addressed**



CWI's Position

- **Applications have been pending for extraordinary amount of time**
- **AT&T is interjecting irrelevant issues into proceedings**
- **Applications should not be considered in a rulemaking**
- **No basis for inserting accounting rate issues in proceedings**
- **Reject AT&T's request for "Mirror" reciprocity**
 - **U.K. meets "Rough Equivalence" standard**



AT&T Contention #1

- **U.S. settlements outpayment represents a balance of payments problem caused by:**
 - a) **Above-cost accounting rates**
 - b) **U.S. collection rates falling faster than accounting rates**
- **Therefore, Foreign Carriers 214 Authorization and "Dominant Status" should be conditioned on "Cost-Based" accounting rates**

Rebuttal

- **Accounting rates are above cost for developed countries**

Third world countries, however, have much higher costs than developed countries and need hard currency earnings to expand network and move toward universal service

- **FCC data demonstrates that this contention is false**
- **AT&T's USADirect and WorldConnect service overstate magnitude of outpayment**



U.S. Settlements Issues

- Exclusive focus on net settlements is misleading as an indication of service profitability
 - Since 1985-1986, when international competition began, U.S. billed revenues have grown much more rapidly than settlement payments. U.S. NET revenues have INCREASED by \$4.777 billion
 - Retained revenue PER MINUTE - over the same period - has increased by 31%, from \$.32/min to \$.42/ min
 - Since 1986, PRICES on many major routes have either increased or been constant
 - 14 of 25 reported since 1986
 - 24 of 25 reported since 1990
- at the same time accounting rates have FALLEN
- Result: AT&T NET revenue INCREASED by \$3.1 billion between 1985 and 1992, even as MCI and Sprint captured market share
 - Impact of USADirect and WorldConnect



Reverse-Settled Services

■ U.S.A. Direct

- Outbound settlement even though inbound call

■ WorldConnect

- Refile
- Two outbound settlements

■ AT&T refusal to comply with FCC directive to describe magnitude (January 1993 "Progress Report")

- "Highly Proprietary"
- "In any event ... the effect of U.S.A. Direct and other reverse-billed services cannot be assessed and understood simply by mathematically calculating the settlements payments".



AT&T Contention #2

- **Many foreign telecom markets are "Closed" to entry by U.S. carriers, therefore Foreign Carrier 214 Authorizations and "Dominant" status should be conditioned on reciprocity**
- **For the past two years, the AT&T proposed standard was "Mirror" reciprocity**
- **Recently, generally in petition and specifically in Entel/Chile application "Comparability" set as benchmark**
- **Statement: "The opportunities available to AmericaTel in the U.S. long distance market should be weighed against the opportunities available to U.S. companies in Chile's long distance market"**

Rebuttal

- **This is in line with the "Rough Equivalence" standard proposed by CWI over the last two years**
 - **National Treatment**
 - **Existing Competition**



Comparability in Chile

- **Separation of local and long distance companies**
- **Publication of non-discriminatory access arrangements**
- **Multi-carrier dialing system**
- **Establishment of cost-based, non-discriminatory accounting rates or lowest rate existing with another country**
- **Assurance that resale will be made available**

"Resale .. permits U.S. carriers to enter foreign markets without being required to replicate the facilities of established providers".



The U.K. Is Comparable

No Question of Rough Equivalence

- **SEPARATION:** Although BT is legally integrated, all other long distance companies are independent. Further, CATV operators - principally RBOCs - provide local exchange service and Colt and MFS have local networks in London. Also, BT must have accounting separation by 1995.
- **ACCESS:** Interconnection recently agreed between ISR providers and BT. Outstanding issue is Access Deficit Charge.
- **DIALING:** "Easy Access"
- **RESALE:** Completely open and utilized: Domestic, IMTS, International FX and ISR
- **SETTLEMENT RATE:** At bottom of "Benchmark" range for Europe of:
 - 23 cents - 39 cents
 - Mercury/AT&T rate = .15 SDR = 21 cents
 - France = 49 cents
 - Germany = 42 cents
 - Spain = 91 cents



ITC-92-065

REFERENCE NUMBER: ITC-92-065, ITC-92-066

SUBJECT: CWI 214 APPLICATIONS FOR FACILITIES-BASED SWITCHED AND PRIVATE LINE SERVICE TO THE U.K. AND BEYOND, AND TO HONG KONG AND BEYOND.

DATE FILED: 12-17-91

FCC ACTION: ON 4-7-92, THE COMMON CARRIER BUREAU ASKED CWI TO WITHDRAW ITS REQUEST FOR AUTHORIZATION TO PROVIDE PRIVATE LINE SERVICE TO THE U.K. AND TO HONG KONG.

AT&T'S OPPOSITION:

ON 1-24-92, AT&T FILED COMMENTS ASKING THE FCC TO DEFER ACTION ON CWI'S APPLICATION UNTIL IT CONCLUDES ITS PROCEEDING IN DOCKET NO. 91-360. AT&T ALSO URGED THE FCC TO CONDITION GRANT OF CWI'S APPLICATION TO ENSURE COMPLIANCE WITH CURRENT AND FUTURE FCC POLICIES CONCERNING INTERNATIONAL ACCOUNTING RATES, AND TO ENSURE CWI ACCEPTS ONLY ITS PROPORTIONATE AMOUNT OF RETURN TRAFFIC.

MCI, SPRINT, AND SYNCORDIA (HONG KONG ONLY) FILED COMMENTS.

ON 4-29-92, AT&T FILED LETTER OPPOSING CWI'S APPLICATION. AT&T ARGUES THAT MARKETS ARE NOT EQUIVALENT TO THE U.S. MARKET.

ON 11-3-92, AT&T FILED LETTER URGING THE FCC NOT TO ACT ON INDIVIDUAL APPLICATIONS BY CARRIERS WITH FOREIGN AFFILIATES TO ENTER OR EXPAND SERVICE IN THE U.S. UNTIL A COMPREHENSIVE POLICY REGARDING FOREIGN AFFILIATED CARRIERS IS ESTABLISHED. AT&T URGES FCC TO TAKE PART IN NTIA INTERNATIONAL PROCEEDING.

ON 12-3-92, AT&T FILED LETTER URGING THE FCC TO DEAL WITH U.S. MARKET ENTRY QUESTION ON A PRINCIPLED BASIS RATHER THAN IN AN AD HOC MANNER AND TO COORDINATE WITH OTHER GOVERNMENT GROUPS TO DEVELOP MARKET ACCESS PRINCIPLES.

CWI'S POSITION:

ON 2-6-92, CWI FILED A REPLY IN BOTH PROCEEDINGS. CWI URGES FCC TO GRANT ITS APPLICATIONS. CWI SUGGESTS TO THE FCC THAT REJECTION OF ITS APPLICATIONS IS BETTER THAN NOTHING SINCE CWI COULD THEN PURSUE ITS RIGHT TO AN APPEAL. CWI STATES THAT IT IS NOT OPPOSED TO CONDITIONING GRANT OF THESE APPLICATIONS AGAINST DISCRIMINATORY CONDUCT.

REFERENCE NUMBER: ITC-92-065, ITC-92-066 (CON'T)

CWI'S POSITION (CON'T):

ON 4-9-92, CWI SENT LETTER TO THE FCC STATING: IF THE FCC IS UNABLE TO FIND THAT A GRANT OF SWITCHED SERVICES AUTHORITY WOULD SERVE THE PUBLIC INTEREST IN THE ABSENCE OF A WITHDRAWAL OF THE REQUESTED PRIVATE LINE AUTHORITY, THEN CWI WILL ACQUIESCE IN THE FCC DEEMING THE PRIVATE LINE REQUEST WITHDRAWN.

ITC-92-066

REFERENCE NUMBER: ITC-92-065, ITC-92-066

SUBJECT: CWI 214 APPLICATIONS FOR FACILITIES-BASED SWITCHED AND PRIVATE LINE SERVICE TO THE U.K. AND BEYOND, AND TO HONG KONG AND BEYOND.

DATE FILED: 12-17-91

FCC ACTION: ON 4-7-92, THE COMMON CARRIER BUREAU ASKED CWI TO WITHDRAW ITS REQUEST FOR AUTHORIZATION TO PROVIDE PRIVATE LINE SERVICE TO THE U.K. AND TO HONG KONG.

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